UNITED NATIONS

DP

Governing Council of the United Nations Development Programme

Distr.
GENERAL

DP/CP/ECU/5
18 December 1991
ENGLISH
ORIGINAL: SPANISH

Extraordinary session
10-14 February 1992, New York
Item 5 of the provisional agenda

PROGRAMME PLANNING: COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

FIFTH COUNTRY PROGRAMME FOR ECUADOR

Programme period	Actual resources programmed	$
1992-1996	IPF for 1992-1996	11 292 000
	Fourth programme balance	(300 000)
	Cost-sharing	15 000 000
	Total	25 992 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. Since the mid-1980s, Ecuador's economy has grown at very low, and even negative rates, as a result of the debt crisis and the adjustment processes initiated to restore lost macroeconomic balances. In 1989 and 1990, the gross domestic product (GDP) annual growth rates were 0.2 and 1.5 per cent respectively, while population growth was estimated at 2.5 per cent. This meant that per capita income declined by 2.3 and 1 per cent, respectively, in the years in question.

2. There has been a heavy dependence on income generated by the sale of a limited number of commodities on foreign markets, with 88 per cent of export revenues coming from sales of petroleum, bananas and seafood. This situation has led to excessive vulnerability of the economy, caused by the instability of demand and international prices for those products.

3. In order to reduce this dependence, the country must implement far-reaching measures to diversify its economy through the development of new production and export activities, especially of non-traditional products.

4. In this context, the economic expansion offered by the integration of the Andean countries is both a challenge and an opportunity to revitalize the country's economic growth. To derive full benefit from this opportunity, it is essential to increase the competitiveness and productivity of economic sectors, especially industry and agriculture.

5. The Government believes that revitalization and modernization of the economy should help improve the quality of life for the Ecuadorian people, through a more equitable distribution of the benefits of economic progress, thereby improving Ecuador's ranking on the human development index, where it currently occupies 77th place and is categorized as a country with medium human development.

6. As a result of the low economic returns of the last few years and the decline in State investment in social projects, the population has seen its living conditions decline and its productive employment opportunities diminish. Fifteen percent of the economically active population are totally unemployed and 50 per cent underemployed. It is estimated that 40 per cent of the urban population and 65 per cent of the rural population are living in critical poverty. This is reflected in the continued high rates of infant mortality (45 per 1,000 live births) and maternal mortality (1.6 per 1,000 live births). The paucity of basic services is such that only one third of the population has access to health services and only 59 per cent to drinking water. The illiteracy rate (10 per cent of the total population) is higher in rural areas and affects women more than men.

7. Ecuadorian women, particularly rural women, have been those most affected by the "feminization of poverty" and by the increase, during the 1980s, in the number of women becoming heads of household. The Government believes that, in

order to increase the participation of women in development, it is necessary to overcome such restrictions as their limited access to formal production activities and to basic training opportunities which would enable them to develop their own production projects.

8. The level of poverty is also a primary cause of environmental degradation, attributable to the close link between impoverishment, population growth and the deterioration of the environment, which applies both to rural and to urban areas. The Government has undertaken to bring about an improvement in production activities through the application of methods which will help preserve the ecosystem and ensure sustainable development adequate to the needs of future generations.

9. In order to meet the challenge of development, the Government has taken steps to strengthen the technical and administrative capacities of the various public authorities. Institutional limitations remain, however, resulting in a relatively low level of effectiveness and efficiency in the implementation of development programmes and projects. Efforts are needed to strengthen the active role played by the Government in promoting the private sector and to decentralize the administration, so as to ensure that the capacities of municipal and regional governments are utilized to the full.

B. National development objectives and strategies

10. In order to overcome the economic and social development problems described above, the Government has set itself the following objectives: the revitalization and modernization of the economy; the strengthening of social programmes to ensure payment of the "social debt"; the maintenance of democratic stability through improved grass-roots organization and participation; the redefinition of the role of the State by modernizing and decentralizing the administration; and the rationalization of the use of natural resources and preservation of the balance of the ecosystem.

11. With regard to economic revitalization and modernization, the Government considers it imperative to promote the diversification of the economy in order to overcome its dependence on a limited number of commodities and to derive full benefit from the potential offered by new international markets and by the Andean integration process. To that end, it will be necessary to improve the efficiency and competitiveness of the production sector; to encourage non-traditional exports; to develop policies to promote domestic and foreign investment; and to establish a favourable legal framework and efficient exchange rate and tariff policies to encourage exports.

12. For the payment of the social debt, it is planned to implement programmes aimed at incorporating the marginalized population into production activities and granting them access to natural resources, capital and basic services, in order to overcome current levels of extreme poverty, with particular consideration to the needs of women and the peasant population.

13. These activities will be conducted in concert with a process to improve the management capacity of the public sector, both at the central level and at sectoral and regional levels, with efforts to enhance the efficiency of public enterprises and with a sustained process of administrative decentralization.

II. EXTERNAL COOPERATION

A. Role of external cooperation

14. The Government considers that external cooperation has a fundamental role to play in achieving the national development objectives described above. It is hoped that external assistance will contribute in particular to: (a) defining strategies aimed at modernizing and revitalizing production; (b) funding priority programmes in the social sector, with particular reference to poverty eradication and basic social services; (c) introducing new thematic areas and approaches to support environmental management strategies; and (d) enhancing management capacity for the implementation of social and economic development projects by means of institution-building activities.

15. The total amount of external cooperation received by the Government during 1990 was $326 million, equivalent to 3 per cent of that year's GDP. The funding was provided in the main by the Inter-American Development Bank (IDB) (44 per cent), Italy (14 per cent), the World Bank (7 per cent), the United States (5 per cent) and France (5 per cent). The main sectors benefiting from this external cooperation were as follows: energy (14 per cent), agriculture (13 per cent), natural resources (10 per cent), human resources (7 per cent), economic management (7 per cent), transport (7 per cent) and social development (7 per cent).

16. The amount of technical cooperation contributed by the United Nations system during 1990 was $11.5 million, or 19 per cent of the total amount of technical cooperation received by the country in that year. The main donors were UNDP and, in descending order, the United Nations Children's Fund (UNICEF), the World Health Organization/Pan American Health Organization (WHO/PAHO), the United Nations Population Fund (UNFPA), the International Atomic Energy Agency (IAEA) and the Food and Agriculture Organization of the United Nations (FAO).

B. Coordination arrangements

17. The National Development Council (CONADE) is the State organ responsible for planning the country's social and economic development. Its role is to ensure that national policies are consistent with the development objectives laid down for the medium and long term.

18. Because of the importance of technical cooperation to the country's development process and the need to ensure adequate coherence and coordination with national development policies, CONADE is responsible for planning and

monitoring both bilateral and multilateral technical cooperation, in close cooperation with the various sectoral ministries, particularly the Ministry of Foreign Affairs.

19. UNDP is helping to enhance the ability of CONADE to discharge its basic functions: macroeconomic planning, sectoral planning, decentralization and social planning. These projects also substantially improve national capacity to coordinate external cooperation.

20. The agencies of the United Nations system represented in the country are UNDP, FAO, UNICEF, the United Nations Educational, Scientific and Cultural Organization (UNESCO), WHO/PAHO, UNFPA and the World Food Programme (WFP). UNDP intends to establish a structure for coordination with the agencies, especially those belonging to the Joint Consultative Group on Policy and also with national institutions, in order to improve the integration of its specialized technical cooperation. The Inter-Agency Committee for Ecuadorian Women, which includes UNICEF, WHO/PAHO, WFP, UNFPA, UNESCO, CARE, the United States Agency for International Development (USAID), the United Nations Development Fund for Women (UNIFEM) and UNDP, is an example of the type of cooperation which could be achieved in future.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

21. The fourth programme (1987-1991) was implemented under two constitutional Governments, the first completing its term of office (1987-1988) and the second beginning its administration (1988-1992). The overall aim of the programme was to contribute to the following national priorities: (a) development of production especially in the agricultural, mining and energy sectors; (b) territorial integration and organization of the country; (c) human resources development; and (d) rationalization of the public administration.

22. The amount available to the programme for this purpose under the Indicative Planning Figure (IPF) was $8.7 million, substantially the same as the IPF allocated to the third country programme for the period 1982-1986 ($8.6 million). Cost-sharing contributions of around $16 million were also received. Resources were used to finance a total of 48 projects and were distributed between the various sectors as follows: strengthening of State management capacity 29 per cent; social sector, 18 per cent and infrastructure, 53 per cent.

23. During the fourth programme, the following significant results were achieved in developing national capacities.

24. With regard to the rationalization of the public sector, UNDP helped to improve the Government's capacity to administer and monitor macroeconomic policies through the creation of the "SIGMA" macroeconomic information system

and the strengthening of the technical capacity of CONADE for economic analysis and monitoring.

25. The project on institutional support and human resources development for the Quito municipal authorities was also important and helped to enhance the authorities' ability to identify the capital city's development needs and carry out various urban development projects, while facilitating their access to credit sources for funding of their projects, such as the municipal development programme being financed jointly by IDB and the World Bank.

26. Another typical example of how national capacities were strengthened was the project to assist Ecuador's civil aviation authority, which upgraded the technical and managerial skills of senior staff. This made it possible to adapt and modernize the institution while at the same time helping to resolve immediate issues such the studies for new airports at Quito and Guayaquil.

27. The project carried out by the National Corporation for the Promotion of Grass-roots Economic Units was also noteworthy. It developed innovative strategies for granting credits to the small business sector, one of the most needy segments of the population. In this case, UNDP cooperation also helped secure substantial credit lines from IDB and the World Bank to promote production activities in the urban small business sector. An important contribution was also made by the housing reconstruction project, which succeeded in mobilizing substantial resources from the Netherlands and Sweden.

28. Despite the success achieved by some projects, however, a number of shortcomings and limitations have been identified and should be mentioned. There was a profusion of small-scale projects lacking any coherent overall planning. Most of these projects focused essentially on support for central government institutions and were only partially effective in strengthening their management capacity. One reason for this was the crisis affecting the country, which meant that short-term priority measures were taken to deal with specific economic circumstances.

29. The following were also identified as shortcomings in the management of the fourth programme: failure effectively to pass on know-how in areas where local skills were scarce; lack of rigour in following up and evaluating projects; failure to ensure closer coordination among government institutions and also among donors and agencies of the United Nations system; and rather slow implementation of project activities, partly as a result of excessive centralization of authority within executing agencies.

30. Under the fifth programme, greater encouragement should be given to national execution, to the extent allowed by objective limitations, as a vital instrument for the development of national capacities, given that the projects implemented in this way during the fourth programme proved to be effective.

31. On the basis of these recommendations, new arrangements were introduced at the end of the fourth programme aimed at correcting the main problems identified and opening the way for programmes and projects to be developed

more intensively during the period 1992-1996. These projects will place emphasis on structuring technical cooperation in integrated programmes so as to achieve real impact, using IPF resources as seed and risk capital, and encouraging national execution.

B. Proposals for UNDP cooperation

1. Preparatory process

32. Since 1990, the Government and UNDP have held ongoing discussions on the focus and scope of the fifth programme, based on the conclusions drawn from the current programme. During the same period, CONADE has held extensive exchanges with other national institutions in order to assess the country's technical cooperation needs in the light of the development priorities created by the socio-economic situation. Special consideration has been given to the comparative advantages offered by UNDP cooperation over other multilateral and bilateral sources in determining the areas in which its assistance should be concentrated.

33. The recommendations contained in the UNDP advisory note have served as a basis and were used as guidelines for drawing up the present programme, together with the conclusions drawn from the frequent contacts maintained with agencies of the United Nations system and with the national institutions in which cooperation projects were implemented under the fourth UNDP programme.

2. Strategy for UNDP cooperation

34. UNDP will participate in those areas which the Government has identified as priorities for international technical cooperation. However, bearing in mind both the comparative advantages of UNDP cooperation and the limits on the IPF resources allocated to the country for the fifth programme, UNDP will concentrate its aid in key areas of the development process where the Government is experiencing difficulties in achieving its stated objectives.

35. Under the strategy proposed for the new programme, UNDP will help the Government to define policies, devise strategies and formulate programmes for the different areas of concentration. Similarly, UNDP cooperation will be used in the main to secure support from agencies and mobilize the resources needed to implement programmes. Specifically, the comparative advantages enjoyed by UNDP will enable it to undertake the following tasks:

(a) UNDP access to international sources of information and know-how will be used to provide the high-level technical inputs required for defining policies and devising strategies in each area of concentration. These strategies must identify bottlenecks preventing the attainment of development objectives, and the most effective way of overcoming them;

(b) The neutrality of UNDP will be used to secure the participation of all national agents in the development process in each of the areas identified. With that in view, UNDP cooperation will be required to act as a catalyst for concerted action by the central Government, regional and local governments, the private sector and grass-roots organizations. Similarly, UNDP will play a fundamental role in assisting the mobilization and coordination of international technical and financial cooperation with a view to achieving development objectives in each of the main programme areas selected;

(c) The mandate and role of UNDP with regard to the creation and strengthening of national capacities will be reflected in its support for the formulation, administration and follow-up of the national programmes to be drawn up in each area of concentration. With this in view, UNDP cooperation will be organized according to a programme approach and will be carried out mainly through national execution;

(d) The existing capacity and administrative flexibility of UNDP will be used to assist the Government in implementing international cooperation components and for the provision of management services.

36. Recognizing that economic adjustment and the expansion of trading opportunities are in their early stages, the Government feels it would be premature at this point to establish precisely what cost-sharing resource will be available under the fifth programme. Given that IPF resources are insufficient to finance the programmes proposed below, the Government and UNDP will be embarking on an active process to mobilize additional resources. Consequently, the cost-sharing figures given in this document are meant only as a guide.

3. Areas of concentration selected for UNDP cooperation

37. UNDP cooperation will be directed towards helping the Government achieve its priority development objectives. With that in view, UNDP will be required to contribute to:

(a) Economic diversification;

(b) Poverty eradication and the promotion of grass-roots participation;

(c) Rationalization of State management.

The contents of the new programme are closely related to the priorities for UNDP cooperation laid down by Governing Council decision 90/34. The three areas of concentration proposed in the programme coincide with the thematic areas of poverty eradication and the promotion of grass-roots participation in development, development of management capacities and transfer and adaptation of technology for development. The themes of environment and women in development are present throughout the new programme.

Economic diversification

38. National objectives. One of the Government's basic objectives is to diversify the economy so that, by enhancing productivity and competitiveness while not neglecting production for the domestic market, it will be possible for goods produced in the country to compete effectively on foreign markets and, above all, to take advantage of the opportunities offered by world markets and Andean integration.

39. UNDP cooperation. To meet this basic objective UNDP cooperation will be based on strategies which help strengthen coordination with multilateral and bilateral donors; foster active participation by the private sector in the process of indentifying, designing, formulating and implementing these national programmes; create awareness of the importance of greater economic diversification; and benefit from the experience of other countries. The basic areas of UNDP cooperation will be as follows:

40. Modernization and industrial conversion. In the context of trade expansion in the Andean region, it will be necessary to begin a process of modernization and industrial conversion for enterprises capable of producing goods that can compete on the Andean subregional market and on the world market.

41. The role of UNDP, in cooperation with the United Nations Industrial Development Organization (UNIDO) and supplementing IDB assistance to the industrial sector, will be to support the design of a national industrial conversion strategy in order to offer technical assistance to private production sectors for producing alternative industrial goods that could be more competitive on foreign markets. in this area, UNDP participation will also be essential in supporting initiatives to establish a system for monitoring the environmental impact of the industrial process, so as to eliminate practices that hinder proper environmental management.

42. Promotion of non-traditional exports. The Government is concerned at the heavy dependence of Ecuador's foreign trade on the export of a limited number of commodities such as petroleum, bananas and shrimp, which are subject to fluctuations in demand and to major price swings on international markets. UNDP, in cooperation with other sources of financing such as IDB, the World Bank, USAID, the International Trade Centre (ITC) and the Andean Development Corporation (ADC), may help bring about a substantial increase in the volume and diversity of the country's exports of agricultural, industrial and mining products, making sure that they are sufficiently competitive on foreign markets and on the Andean subregional market. UNDP cooperation will be focused on the following aspects:

(a) Support for the formulation of a strategy to encourage exports and investment, particularly exports of non-traditional products such as pulses, tropical fruits, flowers, timber and seafood, through the establishment of policies to stimulate foreign sales;

(b) Human resources development in the area of export promotion and vocational activities in support of exports, such as services, transportation, packaging and quality control;

(c) Cooperation in exploring the country's mining potential through the promotion of domestic and foreign private investment and the dissemination of information and research results showing that Ecuador is a mining country in which it pays to invest. In this area, UNDP will also help establish mining cooperatives by providing on-site training in efficient mining procedures that also guarantee the health of miners and protection of the environment. With particular reference to the informal mining sector, legislation and environmental protection, horizontal technical cooperation will continue to be used.

43. The impact of the programme in this area will be measured by the incentives introduced for the production and export of non-traditional goods and the adoption of administrative, legal and economic management reforms to achieve a more diversified economy.

44. UNDP will assign 28 per cent of its programmable IPF resources to this area and hopes to contribute to the following priority aspects: transfer and adaptation of technology for development; technical cooperation among developing countries; and proper management of the environment and natural resources.

45. Complementary assistance: IDB will provide assistance to the Government to increase the supply of food, agro-industrial and export products by granting loans. USAID is helping to promote the production and export of non-traditional agricultural products and is also supporting the Government in its efforts to strengthen the agricultural marketing process by training small farmers, while realigning policies in order to improve trade and promote private sector activity. FAO is supporting action to improve food production and to define rural development policies and strategies. In the mining area, the World Bank is considering funding a project to promote mining cooperatives. UNIDO is supporting activities aimed at establishing industrial strategies and policies in line with international trends.

Poverty and social participation

46. National objectives. In its struggle to eradicate critical poverty, the Government has set itself the objectives of creating productive employment to reduce unemployment and underemployment levels; increasing the incomes of the marginalized population; extending the coverage of basic services such as drinking water supply and sewage systems, health and education, social security and housing; and reducing disparities among the different regions of the country through rural development measures that will alleviate problems of extreme poverty among the most vulnerable groups, such as children, women and the peasant population.

47. UNDP cooperation in this area will be based on the following strategies: (a) to make efforts to help the Government achieve adequate coordination among national institutions in the social sector and among international cooperation agencies in order to avoid duplication of activities and (b) to improve the local capacity to implement social projects so as to ensure that they have a positive impact for the recipient population. Cooperation will be directed to the following areas of action.

48. Employment and income generation. In view of the low capacity of the Ecuadorian economy to generate employment, UNDP will provide assistance in devising strategies and activities to strengthen the productive apparatus, generate new jobs and promote an improvement in rural and urban income levels. Cooperation will be channelled into the following areas:

(a) Support for the activities of national institutions responsible for promoting the development of small business through the provision of technical assistance in the areas of financing, credit, recovery of assets, training of small businessmen and monitoring and evaluation of credit;

(b) Assistance to comprehensive rural development projects in order to generate rural employment, enhance the effectiveness and efficiency of agricultural activities and promote food self-sufficiency through the introduction of appropriate technologies. In cooperation with UNIFEM, it is hoped to increase the access of the peasant population, particularly rural women, to the means of production.

49. Environment and development. UNDP technical cooperation will provide support to the Government in seeking solutions to the environmental problems controlling the country and in designing environmentally sustainable development styles and strategies. In this area, taking into account the possibilities of financing from the Global Environment Facility (GEF), activities supported by other donors and possible resolutions to be adopted at the United Nations Conference on Environment and Development (UNCED), UNDP will concentrate its technical cooperation on the following aspects:

(a) Formulation of a long-term national environment policy including the legal and administrative aspects required for its implementation; and strengthening of the processes of identification, formulation and implementation of environmental projects;

(b) Assistance to activities designed to promote better soil use, appropriate management of the "agricultural frontier" and the provision of urban infrastructure, especially drinking water, sewage systems, waste disposal systems and adequate housing, to improve the quality of urban life;

(c) Technical assistance for the control of deforestation and environmental and water pollution, and for the management and conservation of protected areas (Galapagos Islands).

50. Health, education and basic services. There are a large number of activities that the Government plans to implement in response to commitments made by Ecuador in the framework of the World Summit for Children and the World Conference on Education for All. In the field of maternal and child health, the role of UNDP role will be: (a) to provide technical cooperation to the Government so as to increase the national capacity for absorbing external cooperation resources; (b) to establish mechanisms for coordinating cooperation from agencies of the United Nations system (UNICEF, WHO/PAHO, UNFPA and WFP); and (c) to mobilize resources from donors and financial bodies. Similiarly, in view of the Jomtien Declaration on the elimination of illiteracy, UNDP, in cooperation with UNESCO, hopes to support efforts to meet the educational needs of the most needy sectors.

51. The impact of the programme will be measured by the extent to which there has been an improvement in the access of the low-income population to production activities, social services and health and educational services and by the amount of resources mobilized for programmes promoting proper management of the environment.

52. For this area, UNDP will allocate 34 per cent of programmable resources and hopes to contribute to: poverty eradication; enhanced grass-roots participation in the development process; effective incorporation of women in the development process; and better environmental and natural resource management.

53. Complementary assistance for the Government's social projects comes from many sources. In the health area financial support is being provided by UNFPA to carry out activities to improve maternal health and by UNICEF in the area of child health. WHO/PAHO is providing technical cooperation to the Ministry of Health for developing new models of primary health care. USAID is supporting child survival activities with an amount of $12 million. The most significant project is the one which the Government is currently negotiating with the World Bank to expand primary health-care services for an amount of $200 million; implementation is to begin in April 1992 and UNDP may be involved in administering the loan resources. In the educational field, UNESCO is providing technical cooperation for carrying out literacy, adult education and teacher training activities. An IDB loan of $60 million has been approved for enhancing the quality of basic education in rural areas and the Government is currently processing a loan from the World Bank for the expansion and improvement of educational services in urban and marginal urban areas. USAID, CARE and the municipal development programme financed by IDB and the World Bank are carrying out an extensive environmental sanitation programme in Ecuador. The Government hopes to maintain the support of a number of countries in order to implement community education and training programmes. Such programmes are being developed with Denmark, the Netherlands and, possibly, Sweden, among other countries, through cost-sharing mechanisms.

Rationalization of State management

54. National objectives. The Government considers it vitally important to enhance the efficiency of public sector management through a process of modernization and redefinition of the role of the public sector, in order to ensure that it responds to the needs of the development process. Within this general framework, it will be essential to strengthen the role of local governments in meeting social demands, achieving greater financial autonomy and improving their management capacity.

55. UNDP cooperation. In order to fulfil these objectives, UNDP cooperation will have to expand on activities undertaken during the fourth country programme through the management development project (MDP), which made a detailed analysis of the organizational problems facing Ecuador's public sector and confirmed the need for action to rationalize management. In this regard, in view of the experience gained and the needs identified in the fourth programme, UNDP will assist the Government in achieving a national consensus on this matter and in disseminating the most important priorities. UNDP cooperation will focus on the following areas of activity.

56. Support for the improvement of public management. The strategy for this programme will include specific activities and projects, designed in phases so that they contribute incrementally to a plan for improving the State apparatus. Initial priority will be given to those projects which could have a greater immediate impact on improving the living conditions of the poorest sectors of the population, particularly women, and those aimed at promoting productive activities. UNDP will provide cooperation in the following areas:

(a) Strengthening of the management capacity of the central Government. Legal and administrative procedures will be developed with a view to reorganizing the public sector and, in particular, to achieve greater coordination among its institutions. This will include action to decentralize and, in some cases, denationalize public sector institutions in Ecuador. At the same time, it is hoped to increase the capacity of institutions in the social sector to identify, prioritize and execute projects;

(b) Development of the management capacity of public enterprises. A programme will be initiated to provide public sector enterprises in Ecuador with the management structure and mechanisms to enable them to increase their productivity and enhance their effectiveness in achieving their institutional goals. Management control indicators will be developed to assess the efficiency and effectiveness of State enterprises;

(c) Technical advisory services in macroeconomic management. Activities in this field will be concentrated on providing the necessary technical cooperation in the fields of external debt, inflation and the harmonization of macroeconomic policies with the Andean countries. Constant efforts will be made to improve coordination among institutions responsible for macroeconomic policy.

57. Strengthening of local government. Municipalities must be given the necessary capacity to meet local demands, based on a strategy of administrative decentralization. At the municipal level, UNDP will provide cooperation in the following areas:

(a) Financial autonomy of municipalities. Activities in support of municipalities will give priority to improving their financial management, with special emphasis on appropriate techniques for land registration, self-financing of projects and cost recovery, including data processing and management aspects. UNDP support to municipalities will include programmes to enhance the capacity of municipalities to identify, formulate and execute urban development projects;

(b) Cooperation with municipalities in applying environmentally sustainable urban development models. The technical cooperation to be provided to municipalities will place particular emphasis on the incorporation of environmental considerations at the various levels of municipal management.

58. The impact of the programme will be measured by the extent to which it succeeds in strengthening public sector authorities, in terms of the quantity and quality of the projects they undertake to improve the living conditions of their populations; and by the extent to which action has been taken to strengthen public sector management and to promote administrative decentralization of the central Government.

59. UNDP will allocate 28 per cent of fifth programme resources to the area of the strengthening of State management. Cooperation will be aimed at achieving UNDP priorities in the areas of sustainable environmental and natural resource management and improved management of development.

60. Complementary assistance in this area is being provided mainly by IDB and the World Bank, through their financing of the municipal development programme. German assistance is also providing technical cooperation and financing for the implementation of this programme. World Bank loan 2516 is providing support for the strengthening of State management. Other World Bank loans for the Ecuadorian Institute of Telecommunications and for the National Electric Power Institute include administrative rationalization components. UNDP regional project RLA/89/016 - Support for the modernization and management of the State - has provided significant support to the Government. Cooperation from the Economic Commission for Latin America and the Caribbean (ECLAC) in the macroeconomic area has also made a significant contribution to the effectiveness of Government management in this area.

C. Cooperation outside selected areas of concentration

61. The allocation of an unprogrammed reserve amounting to 10 per cent of the programmed total will be required to cover economic contingencies, to meet natural disasters and to carry out unplanned work, necessitated by the dynamic nature of the country's development process.

D. Implementation and management arrangements

62. The beginning of a new programming cycle provides a good opportunity for the identification of more effective programme implementation modalities which will help maximize the impact of external cooperation in general and that of UNDP in particular. To that end, the following points should be borne in mind.

63. UNDP cooperation will be implemented through the gradual introduction of a programme approach which enables resources to be geared to national needs and to be closely coordinated with initiatives from other sources.

64. National execution will be promoted through measures to strengthen Government capacities, to enable the Government to assume all the administrative functions inherent in this modality. The agencies of the United Nations system will be called upon to contribute their expertise at the stages of design, implementation and assessment.

65. The allocation of IPF resources for overheads and for the acquisition of non-technical equipment will be kept to a minimum, in view of the relative scarcity of programmable resources.

66. Maximum use will be made of monitoring and assessment mechanisms, including the use of external assessment as a management tool and a means of steering and measuring the impact of the programme.

67. Wider use will be made of United Nations Volunteers to fill gaps in national capacities.

68. Technical cooperation among developing countries must be given the utmost encouragement as an appropriate and economical mechanism for the transfer of know-how among countries within, and outside, the region.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	(Thousands of dollars)	
Carry-over from fourth cycle IPF	(300)	
Fifth cycle IPF	11 292	
Subtotal IPF		10 992
Project cost-sharing (Government)	10 000	
Project cost-sharing (third-party)	5 000	
Programme cost-sharing	-	
Subtotal cost-sharing		15 000
TOTAL		25 992

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	Thousands of dollars			Percentage of total resources
	IPF	Cost-sharing	Total	
Economic diversification	3 078	4 200	7 278	28
Poverty eradication	3 737	5 100	8 837	34
Rationalization of the State	3 078	4 200	7 278	28
Subtotal	9 893	13 500	23 393	90
Unprogrammed reserve	1 099	1 500	2 599	10
TOTAL	10 992	15 000	25 992	100

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

	Thousands of dollars	
A. UNDP-administered funds		
SPR	1 000	
UNCDF	-	
UNSO	-	
UNIFEM	250	
UNRFNRE	750	
UNFSTD	-	
Subtotal		2 000
B. Other United Nations resources		
JCCP participating agencies		
UNFPA	7 000	
UNICEF	10 000	
WFP	37 000	
IFAD	-	
Other United Nations agencies (non-UNDP financed)	7 000	
Global Environment Facility	10 000	
Subtotal		71 000
Total non-core and other United Nations resources		73 000
C. Non-United Nations resources a/		38 000
TOTAL		111 000

a/ Funds originating from the implementation of management services agreements.

/...

Annex II

PROGRAMME MATRIX

	Area of focus a/					
	Poverty eradication and grass-roots participation in development	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. Economic diversification						
- Industrial modernization and conversion		*	*		*	
- Promotion of non-traditional exports		*	*	*	*	*
II. Poverty and social participation						
- Employment and income generation	*			*	*	*
- Environment and development	*	*	*		*	*
- Health, education and basic services	*		*	*		*
III. Rationalization of the public sector						
- Strengthening of public-sector administration			*		*	*
- Strengthening of local governments	*	*	*	*		*

a/ Asterisks indicate major linkage only.